

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 99-586

February 8, 2000

NORTHERN UTILITIES, INC.,
Proposed Cost of Gas
Factor for the 1999/2000
Winter Period – Mid-Course Correction

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

We approve Northern Utilities, Inc.'s (Northern) proposed mid-course Cost of Gas Factor (CGF) correction of \$0.567 per Ccf for the remaining months of the 1999-2000 winter period.

II. PROCEDURAL HISTORY

On January 25, 2000, Northern Utilities, Inc. (Northern) filed with this Commission an application pursuant to 35-A M.R.S.A. § 4703 and Chapter 430(2)(D) of the Commission's Rules (65-407 C.M.R. 430) for a mid-course correction of its cost of gas adjustment (CGA) to be effective February 1, 2000 through April 30, 2000. The Commission must approve all cost of gas adjustments. Northern's proposed revised 1999/2000 winter CGA will result in an increase of 3.04% at the 5 therm consumption level and 7.49% at the 200 therm consumption level for the residential class relative to the rate currently in effect.

On January 28, 2000, the Commission issued a Notice of Application to interveners in prior CGA cases and by publication in newspapers of general circulation in Northern's service area. This notice invited interested persons to petition for intervention in this matter by February 3, 2000. No petitions were received.

On January 27, 2000 the parties¹ held a conference call to discuss the information filed to date and establish any other necessary information to conduct a preliminary review.

A preliminary hearing was held on February 4, 2000 at which the parties and Advisory Staff discussed the issues arising in the case. At that hearing, the Staff and parties agreed that the Advisory Staff would draft a proposed order to be considered at the Commission deliberative session on February 7, 2000. The Staff indicated that it would recommend that the Commission approve the rate adjustment to take effect on

¹ The only parties to the case are the OPA and Northern Utilities.

February 8, 2000 with the undercollection to be recovered during the remainder of this winter period.

III. RECORD

The record in this proceeding includes all filings, data responses, transcripts, and any other materials provided in this proceeding.

IV. DISCUSSION

Northern projects an under-collection of approximately \$1,187,224, representing approximately 6.7% of its total gas costs, for this winter period because of reduced sales as a result of the unseasonably warm early season and because gas supply prices for the winter period have increased significantly over original projections. In addition, Northern was able to resell much less of its excess capacity than originally estimated, approximately 10% rather than 100%.

Northern proposes to recover this under-collection over the remaining months of the winter period. At Staff's request, Northern also filed a recovery scenario showing collection of the under-recovery over the remaining months of the winter period and the summer 2000 period. Northern prefers the first option for two reasons. First, it believes that increasing prices in the period in which the cost increases occur sends the appropriate rate signals to its customers. Second, the current price projections for the Summer 2000 period are unusually high. In addition, preliminary results of Northern's 1999 Summer Period reconciliation show an under-collection due to increased prices last summer which would be collected through the summer 2000 CGF.

The second scenario would result in a mid-course correction of \$0.0334 per Ccf for the period February through October 31, 2000. This results in a 4% increase on average in the CGF for the residential class for the remaining winter period. Northern has not yet determined its estimated cost of gas for the summer period.

Advisory Staff has reviewed Northern's actual price experience during November 1999 - January 2000 and the materials supporting Northern's proposed increase. Canadian gas supplies constitute one component of this increase because those contracts set current prices based, in part, on the market price for oil, which has increased substantially during the last few months. Domestic supply prices also increase sharply in January with the onset of colder weather in the Northeast.

It appears, then, that this correction is warranted because supply price increases are significant, compounding the under-collection that resulted from low early-season usage occasioned by unusually warm weather. Finally, Northern has now confirmed its actual excess capacity resale experience for this season, also significantly impacting the under-collection.

Staff recommends that the Commission approve this proposed mid-course correction in order to mitigate and reverse the significant under-collection during this winter period. Doing so will avoid the necessity of increasing gas rates in some other period to reconcile Northern's revenue collection and will provide consumers with price signals that reflect actual market conditions.

Finally, Staff and the Office of Public Advocate (OPA) recommend that Northern remind ratepayers, coincident with issuing bills reflecting this increase, that they can establish a level budget payment plan to assist in meeting unexpected price impacts and seasonal usage variations in gas bills.

IV. CONCLUSION

We approve Northern's proposed 1999-2000 Winter Period CGF mid-course correction based on the Advisory Staff's recommendation.

Accordingly, we

ORDER

1. That Northern Utilities, Inc.'s proposed revised CGF rates shall take effect for gas consumed on or after February 7, 2000;
2. That Northern Utilities, Inc.'s Thirty-first Revised Sheet No. 20.1 constituting its Cost of Gas Factor for the period February 7, 2000 through April 30, 2000, filed on January 31, 2000, is approved;

Dated at Augusta, Maine, this 8th day of February, 1999.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR:

Welch
Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.